

August 22, 2006

Honorable James H. Welsh
Commissioner of Conservation
Office of Conservation
Department of Natural Resources
P. O. Box 94275
Baton Rouge, Louisiana 70804-9275

RE: Yegua 1 Zone, Reservoir A
Yegua 1 Zone, Reservoir B
BUNCHY CREEK FIELD
Allen Parish, Louisiana

Dear Sir:

Application is hereby made on behalf of Denali Oil & Gas Management, LLC to the Commissioner of Conservation for the calling of a public hearing, after legal notice, to consider evidence relative to the issuance of an order pertaining to the following matters relating to the Yegua 1 Zone, Reservoir A and the Yegua 1 Zone, Reservoir B, in the Bunchy Creek Field, Allen Parish, Louisiana.

1. To establish rules and regulations governing the exploration for and production of gas and condensate from the Yegua 1 Zone, Reservoir A and the Yegua 1 Zone, Reservoir B, in the Bunchy Creek Field, Allen Parish, Louisiana.
2. To create a single drilling and production unit for the Yegua 1 Zone, Reservoir A and the Yegua 1 Zone, Reservoir B, and to force pool and integrate all separately owned tracts, mineral leases and other property interests within the units so created.
3. To designate a unit operator and a unit well for the units so created as may be appropriate.
4. To provide that any wells drilled outside of the Yegua 1 Zone, Reservoir A and the Yegua 1 Zone, Reservoir B, shall be in accordance with the spacing provisions of Statewide Order No. 29-E.
5. To provide that the Commissioner may reclassify the reservoirs by supplemental order and without the necessity of a public hearing should such reclassification be warranted, based on evidence furnished the Commissioner.
6. To consider any other matters that may be pertinent to this application.

The Yegua 1 Zone, in the Bunchy Creek Field, Allen Parish, Louisiana, is hereby defined as that interval from 9520' to 10,510' electric log measurements in the Beck Oil Company - Industrial Lumber No. 1 Well, located in Section 28, Township 6 South, Range 6 West, Allen Parish, Louisiana.

In addition to furnishing the legal notice to all Interested Parties, the applicant will provide for POSTING of the legal notice of the hearing and unit plats in a prominent place in the area of the Bunchy Creek Field, Allen Parish, Louisiana, and will cause the legal notice of the hearing to be PUBLISHED in a newspaper of general circulation published in the vicinity of the Bunchy Creek Field, Allen Parish, Louisiana, at least fifteen (15) days before the hearing date.

Any pertinent data relating to the subject application can be obtained AT THE COST OF THE REQUESTING PARTY, from Cambe Geological Services, 6300 Westpark, Suite 400, Houston, Texas 77057 (713)659-8363.

In compliance with the Rules of Procedure, a preapplication notice was given, but no request for a conference was received, and therefore, none was held.

There are attached hereto and made a part hereof a plat outlining the proposed units and a list of the names and addresses of the Interested Owners, Represented Parties, and Interested Parties to whom this application is being sent. Pursuant to the Revised Rules of Procedure, such list of parties and proposed unit plat (being the same plat attached to the August 9, 2006 preapplication notice) are being furnished ONLY to the Commissioner of Conservation and to the District Manager of the Lafayette District of the Office of Conservation. However, said plats and the list of parties will be provided to any party requesting copies. A reasonable effort was made to ascertain the names and addresses of all Interested Owners, Represented Parties and Interested Parties.

Finally, there is enclosed our check on behalf of the applicant, Denali Oil & Gas Management, LLC, in the sum of \$755.00 payable to the Office of Conservation and representing the required hearing application fee.

Sincerely,

LEON E. COMEAUX & ASSOCIATES



Bill McAlister, Jr.

BMJr/cu

Enclosures

cc: Mr. Richard Hudson
Office of Conservation
825 Kaliste Saloom Rd.,
Brandywine III, Ste. 220
Lafayette, LA 70506-4284

Interested Parties, Interested
Owners and Represented Parties

R 6 W

21

RECILE
B-1
7850'

LYONS

7279'

Powell Lbr.

RECILE
Ind. Lbr.
A-1
8217'

22

23

Stream Family

W.E. Walker

Salario, et al

Stream Family

Salario, et al

LYONS
Ind. Lbr.

7810'

LYONS
Ind. Lbr.

7825'

LYONS
Ind. Lbr.

7874'

LYONS
Ind. Lbr.

7850'

PBA Properties

GLASSCOCK
Walker

7600'

Joseph Pitre

26

T
6
S

28

CIMAREX
Labokay

7037' MD
6899' VD

27

Y-1 RA SU A
±160 ACRES

Y-1 RB SU A
±160 ACRES

Stream Family

Labokay Corp.

Labokay Corp.

Stream Family LTD Partnership

RN Minerals, LLC

STOKES
Murray
8015'

Cockran

Stream Family

Lake Charles Naval Stores

RN Minerals, LLC

RN Minerals, LLC

35

33

34

NOTE: ALL BOUNDARIES ARE GEOGRAPHIC

EXHIBIT NO.
DOCKET NO. 06-

DENALI OIL & GAS MANAGEMENT, LLC

BUNCHY CREEK FIELD
ALLEN PARISH, LOUISIANA

PROPOSED UNITS
YEGUA 1 ZONE

Geology By: William S. McAlister, Jr.

0' 1000' 2000'

DATE:

LEON E. COMEAUX & ASSOC. GEOLOGISTS